Joint Committee on Taxation
November 14, 1989
JCX-72-89

REVENUE EFFECTS OF SENATE COUNTEROFFER OF NOVEMBER 14, 1989

Fiscal Years 1990-1994
[Millions of Dollars]

Item	1990	1991	1992	1993	1994	1990-94
IDENTICAL ITEMS						
1. Repeal financial institution (FSLIC & FDIC) tax benefits (P.L. 101-73) (1)	568	31	351	310	213	1,473
2. Require regulated investment companies (mutual funds) to distribute 98% of ordinary income to their shareholders	50	5	5	5	5	70
3. Require basis reduction for nontaxed portion of dividends on self-liquidating ("wasting") stock	6	10	11	12	13	52
4. Modify consolidated return excess loss account recapture rules to prevent shifting of basis to debt	54	69	61	52	42	278
5. Clarify Treasury regulation authority relating to bifurcation of an instrument into debt and equity portions (section 385) (2)	3	3	3	3	3	15
6. Require reporting to IRS of acquisitions and recapitalizations (2)	3	3	3	3	3	15
7. Require corporate estimated tax payments on tax liability for certain Subchapter S income (2)	25	3	3	3	3	37
8. Limit net operating loss carrybacks attributable to interest expense in certain circumstances	226	406	420	384	343	1,779
9. Change the sourcing of income of certain corporations in commonly-controlled groups	20	37	41	45	49	192
10. Impose income tax withholding on the wages of certain agricultural workers	270	68	21	22	23	404
11. Deny retroactive certification of WIN credit	38	28	12	--	--	78
SUBTOTAL: IDENTICAL ITEMS	1,263	663	931	839	697	4,393
NON-IDENTICAL ITEMS						
A. Corporate Provisions						
1. Modify treatment of distributions by certain corporations filing consolidated returns	45	92	154	209	271	771
2. Modify treatment of certain high-yield original issue discount (OID) obligations	18	44	86	120	141	409
3. Limit nonrecognition treatment when securities are received in certain section 351 transactions	164	288	289	316	359	1,416

Item	1990	1991	1992	1993	1994	1990-94
4. Provisions relating to regulated investment companies (RICs)						
a. Adjust basis for mutual fund load charge only if shareholder holds shares for 90 days	22	39	18	6	4	89
b. Include dividends in income of RICs on ex-dividend date	110	20	20	20	20	190
5. Reduce built-in gain or loss threshold of sections 382 and 384	59	163	208	229	239	898
B. Employee Benefit Provisions						
1. Employee Stock Ownership Plans (ESOPs)						
a. Repeal partial exclusion for interest paid on ESOP loans if ESOP owns less than 30% of the employer's stock (section 133)	1,101	1,400	1,774	2,123	2,488	8,886
b. Repeal ESOP estate tax deduction (section 2057) (effective for decedents dying after date of enactment)	41	142	21	10	10	224
2. Limit contributions to pension plans for retiree medical benefits (section 401(h) accounts)	80	126	150	175	200	731
C. Foreign Provisions						
1. Conform tax years of controlled foreign corporations and foreign personal holding companies to the tax years of their U.S. shareholders	45	67	67	67	32	278
2. Improve information reporting by U.S. subsidiaries and branches of foreign corporations	55	75	80	85	90	385
D. Excise Tax Provisions						
1. Aviation excise taxes						
a. Suspend Airport and Airway Trust Fund tax reduction trigger	851	211	--	--	--	1,062
b. Increase air passenger international departure tax from $3.00 to $6.00 per person	51	89	94	100	106	440
2. Impose $3.00-per-passenger tax on international departures by commercial ships	5	7	8	8	8	36
3. Impose Oil Spill Liability Trust Fund petroleum tax at $0.05/barrel (cap at $1 billion), without waiting for authorizing legislation	106	205	229	212	--	752
4. Impose tax on ozone-depleting chemicals subject to the Montreal Protocol	384	560	753	1,166	1,432	4,295
5. Collection of gasoline excise tax: Accelerate deposit requirement	111	4	1	2	4	122
E. Like-Kind Exchanges						
Restrict like-kind exchange basis-shifting techniques between related parties	100	120	130	140	151	641
F. Accounting Provision						
Modify treatment of costs of acquiring franchises, trademarks, and trade names	51	108	144	157	185	645
G. Employment Tax Provision						
Payroll tax speedup ($590,000 threshold)	1,850	100	-550	100	850	2,350
H. Miscellaneous Provisions						
1. Tax pre-contribution gain on certain in-kind partnership distributions	6	12	16	19	20	73
2. Treat cellular telephones as "listed property"	2	10	14	18	24	68
3. Deny amortization of life estate in related-party joint purchases	3	5	9	14	22	53
4. Require reporting of mortgage points by lender (effective for points paid on or after January 1, 1991)	--	2	5	5	5	17
5. Modify treatment of investment-oriented life insurance contracts	(3)	(3)	1	1	1	3
6. Modify rules concerning recapture of bad-debt reserves of mutual savings banks and other thrift institutions	1	3	10	13	20	47
I. Tax-Exempt Bonds						
Allow issuers of certain qualified mortgage bonds additional time to elect to rebate arbitrage	2	2	1	(4)	(4)	5

Item	Code Section	Current-Law Expiration	1990	1991	1992	1993	1994	1990-94
J. Extension of Expiring Provisions (5)								
1. Research and experimentation credit (with modifications) (6)	Sec. 41	12/31/89	-199	-192	-65	-36	-32	-524
2. Research and experimentation cost allocation rules (64% allocation; effective for taxable years beginning after August 1, 1989) (6)	Sec. 861	*	-168	-127	--	--	--	-295
3. Low-income housing credit (with modifications)(7)	Sec. 42	12/31/89	-70	-170	-171	-171	-171	-753
4. Mortgage revenue bonds and mortgage credit certificates	Sec. 143	12/31/89	-9	-35	-57	-58	-57	-216
5. Qualified small-issue bonds	Sec. 144	12/31/89	-6	-25	-39	-38	-36	-144
6. Employer-provided educational assistance	Sec. 127	12/31/88	-394	--	--	--	--	-394
7. Targeted jobs tax credit	Sec. 51	12/31/89	-29	51	-33	-14	-8	-33
8. Business energy credits (geothermal)	Sec. 46	12/31/89	-31	-19	2	1	1	-46
9. Health insurance for self-employed	Sec. 162(1)	12/31/89	-122	-66	--	--	--	-188
Subtotal, Expiring Provisions:			-1,028	-583	-363	-316	-303	-2,593
SUBTOTAL: NON-IDENTICAL ITEMS			4,235	3,311	3,369	4,999	6,379	22,293
SUBTOTAL: IDENTICAL ITEMS			1,263	663	931	839	697	4,393
SUBTOTAL: NON-IDENTICAL ITEMS			4,235	3,311	3,369	4,999	6,379	22,293
GRAND TOTALS:			5,498	3,974	4,300	5,838	7,076	26,686

Joint Committee on Taxation

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* Rules expire 4 months after start of a firm's first tax year beginning after 8/1/87.
(1) Estimate reflects net budget effects (including outlay effects as estimated by the Congressional Budget Office).
(2) For the purpose of this table, items previously estimated as less than $5 million are assigned an arbitrary amount of $3 million.
(3) Negligible gain.
(4) Negligible loss
(5) All provisions are extended through 6/30/90, except the research and experimentation cost allocation rules which are extended on a taxable year basis.
(6) Credit is based on use of pro rata calculation of expenses.
(7) Estimate assumes credit authority is reduced to one-half the amount provided annually under current law for the period of the extension.